

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SCEM-02 INT-08 AGR-20 NEA-10

AID-20 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 RSC-01

TRSE-00 XMB-07 OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01

OMB-01 NSC-10 SS-20 STR-08 CEA-02 DODE-00 PA-04

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R 051015Z DEC 73

FM AMCONSUL MILAN

TO SECSTATE WASHDC 3448

INFO AMCONSUL GENOA

AMCONSUL NAPLES

AMEMBASSY ROME

AMCONSUL TURIN

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TAGS: ENRG, ECON, IT

SUBJECT: ITALIAN ENERGY CRISIS

1. MOST CONSULATE CHEMICAL/MAN-MADE FIBER INDUSTRY SOURCES CONTACTED RE EFFECTS ARAB OIL MEASURES ON ITALIAN INDUSTRIAL PRODUCTION INDICATE LACK CONCRETE INFORMATION MAKES ANY FORECASTS PREMATURE, BUT REPORT THAT CURRENT SITUATION IS ONE OF SCARCITIES BUT NOT CRISIS. SOME FURTHER EMPHASIZE THAT REPORTS SERIOUS SHORTAGES SHOULD BE TAKEN WITH LARGE GRAIN OF SALT AS PUBLICITY ATTENDENT RESTRICTIONS ON PERSONAL CONSUMPTION IS BEING EXAGGERATED TO EXPLOIT REAL OR POTENTIAL SHORTAGES. AIM IS TO ENHANCE COMPANY COMPETITIVE POSITION OR TO TAKE ADVANTAGE OF ANTICIPATED PRICE INCREASE BY HOLDING BACK SUPPLIES. THIS APPEARS TO BE BORN OUT IN TWO INSTANCES EXAMINED BY CONSULATE CONCERNING

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CHEMICAL-PRODUCER RUMIANCA AND SHORTAGES IN MAN-MADE FIBER

INDUSTRY.

2. EXAMPLE MAY BE RUMIANCA AFFAIR, TRIGGERED BY PRESS REPORTS (PARTICULARLY AP-DJ ACCOUNT, INTERNATIONAL HERALD TRIBUNE, NOVEMBER 29) THAT RUMIANCAMCHEMICAL PLANT IN SARDINA WOULD BE CLOSED FOR LACK OF RAW MATERIAL FORCING LAY-OFF OF 1,500 WORKERS. RUMIANCA CHARGED ACTION STEMMED FROM REFUSAL OF NEAR-BY SARAS REFINERY TO SUPPLY SUFFICIENT VIRGIN NAPHTHA TO MAINTAIN OPERATIONS. SARAS OFFICIALS CLAIMED CUT-BACK DUE EXXON SUPPLY CUTS FOLLOWING NATIONALIZATION OF EXXON'S LIBYAN FIELDS IN MID-73. AS A SERVICE REFINER (WHEREBY SARAS REFINES CRUDE BELONGING TO OTHERS, CHARGING A FEE FOR THE "SERVICE"), SARAS HAS NO CRUDE OF ITS OWN (BEYOND THE REDUCED SUPPLIES FROM EXXON) AND IS THUS UNABLE TO SUPPLY RUMIANCA, NO MATTER WHAT THE CONTRACT PROVISIONS MAY BE OR AT WHAT CAPACITY THE REFINERY OPERATES. COMMENT: CONSULATE SOURCES INDICATE THAT RUMIANCA PARENT-COMPANY SOCIETA' ITALIANA RESINE (SIR) IS SUPPLYING SUFFICIENT VIRGIN NAPHTHA TO MAINTAIN PRODUCTION. WHY SO MUCH FUSS? MOST TENABLE THESIS IS THAT SIR-RUMIANCA WISHES TO FORCE SARAS TO SUPPLY VIRGIN NAPHTHA AT PRICES CALLED FOR IN CONTRACT WHICH CONSIDERABLY UNDER CURRENT WORLD PRICES. LAYOFFS WOULD ENLIST SUPPORT GOI, NOTABLY SENSITIVE ANY EMPLOYMENT LEVEL REDUCTIONS. OTHER SPECULATION CENTERS AROUND POSSIBILITIES (1) OF PERSONAL QUARREL BETWEEN SARAS OWNER ANGELO MORATTI AND SIR PRESIDENT NINO ROVELLI, INITIATED BY ROVELLI TO STRENGTHEN HIS COMPETITIVE POSITION VIS A VIS MORATTI; AND (2) THAT MOVE REPRESENTS EFFORTS TO INFLUENCE FUTURE GOI PETROLEUM POLICY EVEN MORE STRONGLY IN FAVOR DOMESTIC INDUSTRY. KEY IN THIS LATTER CONSIDERATION WOULD BE MOVE TO REDUCE INFLUENCE AND OPERATIONS SERVICE REFINERS, SUCH AS SARAS, IN HOPES OF MAKING MORE PRODUCT AVAILABLE FOR DOMESTIC CONSUMPTION. RUMIANCA OFFICIALS ADMIT PRIVATELY THAT FIRM WOULD CLOSE ONLY AS LAST RESORT: IMPROVEMENTS IN 1973 OPERATING MARGINS INDICATE PROFIT POSSIBILITIES FOR THE FIRST TIME IN LAST THREE YEARS. IN ANY CASE, ARAB-INITIATED OIL MEASURES SEEM TO PLAY ONLY A MINOR ROLE.

3. SIMILARLY, SUSPICIONS OF EXPLOITATION ENERGY CRISIS
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EXIST RE REPORTS OF RAW MATERIAL SHORTAGES IN MAN-MADE FIBERS INDUSTRY. ALTHOUGH INDUSTRY CONTACTS REPORT RAW MATERIALS SCARCE AND NEAR-TERM OUTLOOK CONFUSED, NO "CRISIS" YET EXISTS. MOST OF SHORTAGES--CAPROLACTAM, FOR EXAMPLE--THUS FAR REPORTED STEM PRIMARILY FROM LACK PRODUCTIVE CAPACITY SUFFICIENT TO SUPPLY MARKET DEMAND COUPLED WITH WIDESPREAD BELIEF THAT SUPPLIERS HAVE RATIONED SUPPLIES TO USERS IN EXPECTATION THAT PRICES WILL RISE ABOVE PRESENT

"ASTRONOMICAL" LEVELS. FINA

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